

September 21, 2007

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the September 21, 2007 meeting were distributed to Commission members, intervenors and other interested parties August 20, 2007 and sent to the Secretary of State's Office for posting on August 20, 2007.

Commission Present: Chair, Michael Wiers, Katherine O. Musgrave John Joseph Jr., and Colon Durrell.

Commission Absent: Shelley Doak, *ex-officio*

Department Officials: None

Staff Present: Stan Millay, Executive Director, and Carol Gauthier, Office Associate and Audrey Shorty, Resource Administrator.

Legal Counsel: Amy Mills, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc., Tom Brigham Oakhurst Dairy, John Economy, Garelick Farms of Maine and Julie-Marie Bickford Executive Director, Maine Dairy Industry Association (MDIA)

Others Present: Dale Cole, dairy farmer and President, MDIA, Fred Hardy, MDIA and Chuck Farrand, dairy farmer. Also present were Dr. George Criner, Dr. Timothy Dalton and Lisa Bragg from the University of Maine.

Meeting called to order at 1:45 p.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: John Joseph made a motion to accept the minutes of the August 17, 2007 meeting as presented. Katherine Musgrave seconded. Motion passed 3-0.

Agenda Item 2: Amy Mills, Assistant Attorney General: No Report.

Agenda Item 3: Minimum Prices: Stan Millay reported that there is a prevailing premium of \$1.10/cwt on Class I for October 2007 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.75/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect. Federal Order One Class I price for October is \$24.84. He explained that the schedule for October was prepared using this information with a producer cost of production adjustment (COPA) of \$0.71/cwt. that was in effect with September prices. He stated that this price schedule was for discussion purposes and that the Commission was not bound to it, and should make their pricing determination after hearing testimony.

Dale Cole testified that he had been informed that the price of diesel fuel would be increasing by approximately 20 cents per gallon very soon due to reformulation to reduce sulfur content.

Julie-Marie Bickford told the Commission that she had visited stores in the Brunswick area and had found that milk prices were lower in the smaller stores; some as low as \$3.69 per gallon. She went on to ask if processors had seen a shift in sales from the larger supermarkets to the smaller ones, and if so, wondered what the impact might be on the dairy industry in Maine.

Dale Cole commented that milk sales might be higher if the large supermarkets did not push the retail price up so far. He asked the Commission to raise the COPA from September's level of \$0.71/cwt. up to \$0.90/cwt. for October minimum prices.

Colon Durrell asked the processors in attendance about whether or not they had seen a difference in sales since the price of milk has gone up to where it is now.

Tom Brigham stated that his company has seen a reduction in sales with the higher prices.

Katherine Musgrave asked about volumes of school milk sales.

Tom Brigham answered saying school milk is sold by competitive bid and with the cost of delivery factored in, there is not much margin.

John Economy stated that he agreed with Tom and said that his company's year-to-date comparison with 2006 shows reduced sales volume. He said this is especially true of branded products that tend to be priced higher by retailers. He said that there appears to be a shift away from the branded labels towards the store brand label, but it may be too soon to make that determination. He urged the Commission to not increase the COPA beyond \$0.71/cwt.

John Blake said he agreed with John and Tom. He said milk prices are all over the place. He said that some smaller stores in Maine do have lower milk prices, but he did not believe those stores represented a large portion of total milk sales in Maine.

Colon Durrell asked about percentage of fluid sales in the Maine and the New England.

Stan Millay referred the Commission to the Northeast Marketing Area Bulletin in their information packets and pointed out that the Class I usage for August was 43.9% in Federal Order I.

John Joseph made a motion to adopt schedule #10-07 with a producer cost of production adjustment of \$0.71/cwt. with a \$24.84/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.00/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$27.60/cwt. Colon Durrell seconded.

Julie-Marie Bickford reminded the Commission that there is still a huge gap between the Commission minimum retail price and the price being charged by supermarkets. She went to say that producers were just beginning to receive more money for their milk but that their costs were higher as well and urged the Commission to consider this in setting the minimum prices.

Dale Cole asked the Commission to consider profitability of farms so as to encourage younger people to enter the dairy business.

Fred Hardy pointed out that costs for machinery have risen dramatically and have pushed up costs of production. He stated that with retail prices at \$5.00 per gallon at retail, there should be a little bit more available to the producer.

Julie-Marie Bickford asked the Commission to consider the decrease in the Class I price and raise the COPA adjustment a comparable amount.

Katherine Musgrave asked if anyone had information about supermarket prices outside of Maine.

John Blake responded saying that retail prices outside of Maine were about the same but that there have been price wars that have kept some prices lower in some areas.

Julie-Marie Bickford said that many Canadians are coming into Maine to buy milk.

Dale Cole reminded the Commission that milk prices were higher but not too high. He stated that MDIA wanted to be partners with processing and retail, but did not think that producers should have to take a cut every time some people thought milk prices were too high. He said it made sense to move the COPA up and encouraged the Commission to do so.

Tom Brigham reminded the Commission that he suggested a decrease in the COPA last month when Class I increased and the Commission did not do it. He said that the Commission should be consistent in how they determine the COPA.

Motion passed 3-1 with Katherine Musgrave in dissent.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for September 2007 which included prices for Augusta and Bangor and reviewed the IAMCA milk price survey for July and August.

Agenda Item 5: Next Scheduled Meetings:

- October 19, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- November 26, 2007, Monday 9:00 a.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- December 21, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- January 15, 2008, Tuesday 10:30 a.m. Agriculture Trade Show, Augusta Civic Center
- January 18, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- February 23, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

NOTE: The November meeting is changed to Monday the 26th because the advanced prices for December will not be released until after 2:00 p.m. on the 23rd because of the Thanksgiving holiday.

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed the latest budget summary.
2. **Retail Margins:** George Criner provided the Commission with an overview of how new retail margins are being developed. He reported that Bell's IGA, originally in the survey, has not provided information as requested and that they will not be included in study.

3. **Marketing Areas Chapter 4:** The Commission discussed Chapter 4 as it was proposed at public hearing on August 17. No comments were received during the hearing process, so a review of comments was not necessary. Colon Durrell made motion to adopt Chapter 4 as presented. Katherine Musgrave seconded. Motion passed 3-0.
4. **Cost of Production Study:** George Criner, Tim Dalton and Lisa Bragg outlined a possible next cost of production study. Producer survey forms would be developed for mailing the first part of 2008 to correspond with tax time for most producers. The University will collect the data and a cost of production will be determined from the information. Data verification will be done using a number of methods similar to those used in the past to be sure that the final costs of production are as reliable as possible. The Commission instructed staff to begin the process of developing a cooperative agreement with the University in order to carry out a cost of production study in accordance with statutory requirements.
5. **Meeting Location:** The Commission reviewed the new Deering Building security steps that restrict public access. The Commission determined that the current call-from-the-door-for-access is not a problem enough at this time to require holding public hearings in a different location. This issue will be reviewed in the future if necessary.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 3:05 p.m. (80 minutes) Stanley Millay, Executive Director, Maine Milk Commission.